

## HOUSE BILL NO. 11

INTRODUCED BY MCNUTT

BY REQUEST OF THE DEPARTMENT OF COMMERCE AND THE OFFICE OF BUDGET AND PROGRAM  
PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE LAWS GOVERNING THE TREASURE STATE  
ENDOWMENT PROGRAM; REVISING THE USES OF THE TREASURE STATE ENDOWMENT STATE  
SPECIAL REVENUE ACCOUNT AND THE TREASURE STATE ENDOWMENT REGIONAL WATER SYSTEM  
SPECIAL REVENUE ACCOUNT; AUTHORIZING EMERGENCY GRANTS AND MATCHING GRANTS FOR  
PRELIMINARY ENGINEERING STUDIES; ELIMINATING ANNUAL DEBT SERVICE SUBSIDIES ON LOCAL  
INFRASTRUCTURE PROJECTS, LOANS FROM THE PROCEEDS OF COAL SEVERANCE TAX BONDS AT  
A SUBSIDIZED INTEREST RATE, AND DEFERRED LOANS FOR PRELIMINARY ENGINEERING STUDY  
COSTS; REQUIRING REPORTS TO THE GOVERNOR AND THE LEGISLATURE; APPROPRIATING MONEY  
TO THE DEPARTMENT OF COMMERCE FOR FINANCIAL ASSISTANCE TO LOCAL GOVERNMENT  
INFRASTRUCTURE PROJECTS THROUGH THE TREASURE STATE ENDOWMENT PROGRAM;  
APPROPRIATING MONEY FROM THE TREASURE STATE ENDOWMENT REGIONAL WATER SYSTEM  
STATE SPECIAL REVENUE ACCOUNT TO THE DEPARTMENT OF NATURAL RESOURCES AND  
CONSERVATION FOR FINANCIAL ASSISTANCE TO REGIONAL WATER AUTHORITIES FOR REGIONAL  
WATER PROJECTS; AUTHORIZING GRANTS FROM THE TREASURE STATE ENDOWMENT STATE  
SPECIAL REVENUE ACCOUNT; PLACING CONDITIONS UPON GRANTS AND FUNDS; APPROPRIATING  
MONEY TO THE DEPARTMENT OF COMMERCE FOR EMERGENCY GRANTS; APPROPRIATING MONEY  
TO THE DEPARTMENT OF COMMERCE FOR PRELIMINARY ENGINEERING GRANTS; TERMINATING  
~~CERTAIN A PRIOR TREASURE STATE ENDOWMENT GRANTS GRANT~~; AMENDING SECTIONS 90-6-703,  
~~AND 90-6-710, AND 90-6-715, MCA, AND SECTION 1, CHAPTER 435, LAWS OF 2001; AND PROVIDING AN~~  
EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Appropriations from treasure state endowment state special revenue  
account.** (1) There is appropriated to the department of commerce ~~the interest earnings of \$16.2 MILLION OF~~

THE INTEREST EARNINGS FROM the treasure state endowment special revenue account to finance grants authorized by this section.

(2) The funds appropriated in this section must be used by the department to make grants to the governmental entities listed in subsection (3) for the described purposes and in amounts not to exceed the amounts set out in subsection (3). The appropriations are subject to the conditions set forth in [sections 1 through 3] and described in the treasure state endowment program 2007 biennium report to the 59th legislature. The legislature, pursuant to 90-6-710, authorizes the grants for the projects listed in subsection (3). The department shall commit funds to projects listed in subsection (3), up to the amounts authorized, based on the manner of disbursement set forth in [section 3] until interest earnings deposited into the treasure state endowment special revenue account during the 2007 biennium are expended.

(3) The following applicants and projects are authorized for grants in the order of their priority:

Applicant/Project	Grant Amount
1. St. Ignatius, Town of (wastewater)	<del>\$500,000</del> <del>\$650,000</del> <u>\$500,000</u>
2. Rudyard-Hill County Water and Sewer District (wastewater)	<del>524,503</del> <del>674,503</del> <u>524,503</u>
3. Carter-Chouteau County Water and Sewer District (water)	<del>500,000</del> <del>650,000</del> <u>500,000</u>
4. Cascade, Town of (water)	<del>500,000</del> <del>650,000</del> <u>500,000</u>
5. Madison County (bridge)	179,911
6. Lewis and Clark County (wastewater)	288,757
7. Stillwater County (bridge)	399,853
8. Seeley Lake Sewer District (wastewater)	500,000
9. Dodson, Town of (wastewater)	427,500
10. Conrad, City of (wastewater)	500,000
11. Sweet Grass County (bridge)	144,989
12. Havre, City of (water)	500,000
13. Powell County (bridge)	158,348
14. Mineral County (bridge)	80,090
15. Glacier County (bridge)	500,000
16. Malta, City of (wastewater)	500,000
17. Crow Tribe (wastewater)	500,000
18. Libby, City of (wastewater)	500,000

1	19. Big Horn County (bridge)	142,500
2	20. Custer Area-Yellowstone County Water/Sewer District (wastewater)	500,000
3	21. Hill County (bridge)	450,750
4	22. Glasgow, City of (wastewater)	500,000
5	23. Valier, Town of (wastewater)	500,000
6	24. Sheridan, Town of (water)	500,000
7	25. Beaverhead County (bridge)	84,886
8	26. Whitefish, City of (water)	457,500
9	27. Richland County (bridge)	453,841
10	28. Upper and Lower River Road Water and Sewer District (water/wastewater)	500,000
11	29. Laurel, City of (wastewater)	500,000
12	30. Ennis, Town of (wastewater)	204,894
13	31. Choteau, City of (water)	500,000
14	32. Missoula County (bridge)	275,172
15	33. Miles City, City of (water)	500,000
16	34. Yellowstone County (bridge)	187,800
17	35. <del>Ranch-Lake</del> <u>RANCH</u> County Water and Sewer District (water)	<del>360,000</del> <u>500,000</u>
18	36. Hysham, Town of (water)	462,359
19	37. Carbon County (bridge)	97,100
20	38. Spring Meadows-Missoula County Water District (water)	487,500
21	39. Woods Bay Homesites-Lake County Water and Sewer District (water)	500,000
22	<u>40. BIGFORK COUNTY WATER/SEWER DISTRICT (WASTEWATER)</u>	<u>460,000</u>
23	<del>40- 41.</del> <u>41.</u> Circle, Town of (wastewater)	500,000
24	<del>41- 42.</del> <u>42.</u> Fairfield, Town of (wastewater)	126,000
25	<del>42- 43.</del> <u>43.</u> Sun Prairie Village-Cascade County Water and Sewer District (water)	500,000

(4) This section constitutes a valid obligation of funds to the grant recipients listed in subsection (3) for purposes of encumbering the treasure state endowment special revenue account funds during the 2007 biennium pursuant to 17-7-302. However, a grant recipient's entitlement to receive funds is dependent on the grant recipient's compliance with the conditions described in [section 3(1)] and on the availability of funds.

(5) If funds deposited into the treasure state endowment special revenue account during the biennium

ending June 30, 2007, are insufficient to fully fund projects numbered 1 through ~~39~~ 40 in subsection (3) that have satisfied the conditions described in [section 3(1)] by June 30, 2007, the 61st legislature is encouraged to give priority to funding these projects before funding any new projects. However, any of the projects numbered 1 through ~~39~~ 40 listed in subsection (3) that have not satisfied the conditions described in [section 3(1)] by June 30, 2007, lose any guarantee of receiving funds deposited into the treasure state endowment special revenue account during the 2007 biennium. Funding for these projects will be provided only as long as there are sufficient funds available from the amount that was deposited into the treasure state endowment special revenue account during the 2007 biennium. Funding for these projects will be made available in the order that the grant recipients satisfy the conditions described in [section 3(1)].

(6) Projects numbered ~~40~~ 41 through ~~42~~ 43 listed in subsection (3) that have satisfied the conditions described in [section 3(1)] may not receive grant funds ~~unless sufficient funds have been deposited into the treasure state endowment special revenue account during the 2007 biennium beyond that which is necessary to fully fund the projects numbered 1 through 39 listed in subsection (3):~~ ONLY IF ONE OR MORE OF THE PROJECTS NUMBERED 1 THROUGH ~~39~~ 40 TERMINATE THEIR RIGHT TO THE AWARDED FUNDS IN WRITING PRIOR TO THE END OF THE 2007 BIENNIUM.

(7) In the event that any remaining funds deposited into the treasure state endowment special revenue account during the 2007 biennium are insufficient to fully fund one of the grant recipients listed in subsection (3), the department may make the remaining funds available to the first grant recipient that has satisfied the conditions described in [section 3(1)] and that is able to firmly commit the balance of the amount necessary to fund the project in its entirety.

**NEW SECTION. Section 2. Approval of grants -- completion of biennial appropriation.** (1) The legislature, pursuant to 90-6-701, authorizes grants for the projects identified in [section 1(3)].

(2) The authorization of these grants completes a biennial appropriation from the treasure state endowment special revenue account provided for in 17-5-703(4)(c).

**NEW SECTION. Section 3. Conditions and manner of disbursement of grant funds.** (1) The disbursement of grant funds under [sections 1 through 3] for the projects specified in [section 1(3)] is subject to completion of the following conditions:

(a) The grant recipient shall execute a grant agreement with the department of commerce.

1 (b) The scope of work and budget for the project as approved by the department in the grant agreement  
2 must be consistent with the intent and circumstances under which the application was originally ranked by the  
3 department and approved by the legislature. The department may not approve amendments to the scope of work  
4 or budget affecting activities or improvements that would materially alter the intent and circumstances under  
5 which the application was originally ranked by the department and approved by the legislature.

6 (c) The grant recipient must have a project management plan and a long-term operations and  
7 maintenance plan that is approved by the department.

8 (d) The grant recipient shall document that other matching funds required for completion of the project  
9 are firmly committed.

10 (e) The grant recipient must be in compliance with the auditing and reporting requirements provided  
11 for in 2-7-503 and have established a financial accounting system that the department can reasonably ensure  
12 conforms to generally accepted accounting principles. Tribal governments shall comply with auditing and  
13 reporting requirements provided for in OMB Circular A-133.

14 (f) The grant recipient shall satisfactorily comply with any conditions described in the application  
15 (project) summaries section of the treasure state endowment program 2007 biennium report to the 59th  
16 legislature.

17 (g) The grant recipient shall satisfy other specific requirements considered necessary by the department  
18 to accomplish the purpose of the project as evidenced by the application to the department.

19 (2) The department shall commit grant funds to projects authorized in the order of priority listed in  
20 [section 1(3)] to grant recipients that have met the conditions in subsection (1) as treasure state endowment  
21 special revenue account interest income becomes available during the 2007 biennium.

22 (3) If a grant recipient authorized in [section 1(3)] has not met the conditions in subsection (1) of this  
23 section, the department shall move down the list of projects in the order of priority listed in [section 1(3)] to the  
24 next project that has met the conditions in subsection (1) of this section.

25 (4) The department shall disburse grant funds on a reimbursement basis as grant recipients incur  
26 eligible project expenses.

27 (5) In the event that actual project expenses are lower than the projected expense of the project, the  
28 department may, at its discretion, reduce the amount of treasure state endowment program grant funds to be  
29 provided to grant recipients in proportion to all other project funding sources. In the alternative, the department  
30 may authorize the use of the remaining authorized treasure state endowment program grant amount for the

1 construction of additional, directly related components that will further enhance the overall system.

2 (6) In the event that actual project expenses are lower than the projected expense of a project as  
3 presented in the grant recipient's treasure state endowment program application, the department may, at its  
4 discretion, reduce the amount of treasure state endowment program grant funds to be provided so that the grant  
5 recipient's projected average residential user rates do not become lower than their target rate as determined by  
6 the department.

7 (7) With the exception of bridges, all projects must adhere to the design standards required by the  
8 department of environmental quality. Recipients of treasure state endowment program funds that are not subject  
9 to the department of environmental quality design standards must adhere to generally accepted industry  
10 standards, such as Recommended Standards for Wastewater Facilities or Recommended Standards for Water  
11 Works, published by the Great Lakes-Upper Mississippi River Board of State and Provincial Public Health and  
12 Environmental Managers, latest edition.

13 (8) Recipients of treasure state endowment program funds are subject to the requirements of the  
14 department of commerce as described in the treasure state endowment program project administration manual,  
15 adopted by the department through the administrative rulemaking process.

16  
17 **NEW SECTION. Section 4. Appropriations from treasure state endowment state special revenue**  
18 **account for emergency grants.** There is appropriated to the department of commerce \$100,000 for the  
19 biennium beginning July 1, 2005, from the interest earnings of the treasure state endowment special revenue  
20 account for the purpose of providing local governments, as defined in 90-6-701, with emergency grants for  
21 infrastructure projects, as defined in 90-6-701.

22  
23 **NEW SECTION. Section 5. Appropriations from treasure state endowment special revenue**  
24 **account for preliminary engineering grants.** There is appropriated to the department of commerce \$600,000  
25 for the biennium beginning July 1, 2005, from the interest earnings of the treasure state endowment special  
26 revenue account for the purpose of providing local governments, as defined in 90-6-701, with preliminary  
27 engineering grants for infrastructure projects, as defined in 90-6-701.

28  
29 **Section 6.** Section 1, Chapter 435, Laws of 2001, is amended to read:

30 **"Section 1. Appropriations from treasure state endowment special revenue account.** (1) There is

appropriated to the department of commerce the interest earnings of the treasure state endowment special revenue account to finance grants authorized by this section.

(2) The funds appropriated in this section must be used by the department to make grants to the governmental entities listed in subsection (3) for the described purposes and in amounts not to exceed the amounts set out in subsection (3). The appropriations are subject to the conditions set forth in [sections 1 through 3] and described in the treasure state endowment program 2003 biennium report to the 57th legislature. The legislature, pursuant to 90-6-710, authorizes the grants for the projects listed in subsection (3). The department shall commit funds to projects listed in subsection (3), up to the amounts authorized, based on the manner of disbursement set forth in [section 3] until interest earnings deposited into the treasure state endowment special revenue account during the 2003 biennium are expended.

(3) The following applicants and projects are authorized for grants in the order of their priority:

Applicant/Project	Grant
1. Lewis and Clark County (bridge)	\$500,000
2. Alder Water and Sewer District, Madison County (wastewater)	500,000
3. Hot Springs, Town of (water)	500,000
4. Whitewater Water and Sewer District, Phillips County (wastewater)	500,000
5. Virginia City, Town of (wastewater)	500,000
6. Froid, Town of (wastewater)	390,600
7. Nashua, Town of (wastewater)	500,000
8. Richland County (bridge)	296,500
9. Lavina, Town of (wastewater)	483,000
10. Gardiner-Park County Water District, Park County (water)	398,500
11. Park City/County Water and Sewer District, Stillwater County (wastewater)	500,000
12. Stanford, Town of (wastewater)	500,000
<del>13. Florence County Water and Sewer District, Ravalli County (wastewater)</del>	<del>500,000</del>
14. Ashland County Water and Sewer District, Rosebud County (wastewater)	500,000
15. Geraldine, Town of (water)	167,460
16. Manhattan, Town of (wastewater)	500,000
17. Lambert County Water and Sewer District, Richland County (water)	403,000
18. Browning, Town of (water)	500,000

1	19. Kevin, Town of (wastewater)	385,000
2	20. Power-Teton Co. Water and Sewer District, Teton County (water)	425,000
3	21. Blackfeet Tribe (water)	500,000
4	22. Whitefish, City of (wastewater)	500,000
5	23. Choteau, City of (wastewater)	500,000
6	24. Lockwood Water and Sewer District, Yellowstone County (wastewater)	500,000
7	25. Eureka, Town of (water)	369,000
8	26. Shelby, City of (water)	500,000
9	27. Charlo Sewer District, Lake County (wastewater)	500,000
10	<del>28. Essex Water and Sewer District, Flathead County (water)</del>	<del>225,000</del>
11	<u>28. ESSEX WATER AND SEWER DISTRICT, FLATHEAD COUNTY (WATER)</u>	<u>100,000</u>
12	29. Yellowstone County (bridge)	300,000
13	30. Hinsdale Water and Sewer District, Valley County (wastewater)	329,000
14	31. Havre, City of (water)	500,000
15	32. Helena, City of (storm drain)	500,000
16	33. Fairfield, Town of (wastewater)	500,000
17	34. Jordan, Town of (water/wastewater)	500,000

18           (4) If sufficient funds are available, this section constitutes a valid obligation of funds to the grant  
 19 recipients listed in subsection (3) for purposes of encumbering the treasure state endowment special revenue  
 20 account funds received during the 2003 biennium under 17-7-302. However, a grant recipient's entitlement to  
 21 receive funds is dependent on the grant recipient's compliance with the conditions described in [section 3(1)]  
 22 and on the availability of funds.

23           (5) If funds deposited into the treasure state endowment special revenue account during the biennium  
 24 ending June 30, 2003, are insufficient to fully fund the projects numbered 1 through 31 in subsection (3) that  
 25 have satisfied the conditions described in [section 3(1)] by June 30, 2003, these projects will be funded from  
 26 deposits into the treasure state endowment special revenue account made during the 2005 biennium, before  
 27 projects authorized by the 58th legislature receive funding from the account. However, any of the projects  
 28 numbered 1 through 31 listed in subsection (3) that have not completed the conditions described in [section 3(1)]  
 29 by January 1, 2003, must be reviewed by the next regular session of the legislature to determine if the authorized  
 30 grant should be withdrawn.



(6) Projects numbered 32 through 34 listed in subsection (3) that have satisfied the conditions described in [section 3(1)] may not receive grant funds unless sufficient funds have been deposited into the treasure state endowment special revenue account to fully fund the projects numbered 1 through 31 in subsection (3). However, if a subsequent legislature withdraws funding for any of the projects numbered 1 through 31 listed in subsection (3), those funds could be made available to projects numbered 32 through 34 listed in subsection (3) that have completed the conditions described in [section 3(1)].

(7) In the event that any remaining funds deposited into the treasure state endowment special revenue account are insufficient to fully fund one of the grant recipients listed in subsection (3), the department may make the remaining funds from the treasure state endowment special revenue account available to the grant recipient on condition that the grant recipient is able to firmly commit the balance of the amount necessary to fund the project in its entirety."

**Section 7.** Section 90-6-703, MCA, is amended to read:

**"90-6-703. Types of financial assistance available.** (1) The legislature shall provide for and make available to local governments the following types of financial assistance under this part:

(a) matching grants for local infrastructure projects;

(b) ~~annual debt service subsidies on local infrastructure projects~~ matching grants for preliminary engineering studies; and

(c) ~~loans from the proceeds of coal severance tax bonds at a subsidized interest rate~~ emergency grants for local infrastructure projects.

~~(2) The department of natural resources and conservation and the department of commerce:~~

~~—— (a) may adopt rules to commit to interest rate subsidies for local infrastructure projects and may allow the subsidies to be paid over the life of the loan or bonding period; and~~

~~—— (b) may make deferred loans to local governments for preliminary engineering study costs. The applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full project. Repayment may be postponed until the overall construction financing is arranged.~~

(2) The department of commerce may provide local governments with emergency grants for infrastructure projects only if necessary to remedy conditions that, if allowed to continue until legislative approval could be obtained, will endanger the public health or safety and expose the applicant to substantial financial risk. The department shall report to the governor and the legislative finance committee regarding emergency grants

1 that are awarded during each biennium.

2 (3) The department of commerce may provide local governments with matching grants for preliminary  
3 engineering studies for infrastructure projects. The department shall report to the governor and the legislature  
4 regarding preliminary engineering grants that are awarded during each biennium."

5  
6 **Section 8.** Section 90-6-710, MCA, is amended to read:

7 **"90-6-710. (Temporary) Priorities for projects -- procedure -- rulemaking.** (1) The amount of  
8 \$425,000 is statutorily appropriated, as provided in 17-7-502, to the department of commerce for each biennium  
9 for the period beginning July 1, 2001, and ending June 30, 2005, from the treasure state endowment special  
10 revenue account for the purpose of providing communities with grants for engineering work for projects provided  
11 for in subsection (3).

12 (2) The department of commerce must receive proposals for projects from local governments as defined  
13 in 90-6-701(3)(b). The department shall work with a local government in preparing cost estimates for a project.  
14 In reviewing project proposals, the department may consult with other state agencies with expertise pertinent  
15 to the proposal. The department shall prepare and submit a list containing the recommended projects and the  
16 recommended form and amount of financial assistance for each project to the governor, prioritized pursuant to  
17 subsection (3). The governor shall review the projects recommended by the department and shall submit a list  
18 of recommended projects and the recommended financial assistance to the legislature.

19 (3) In preparing recommendations under subsection (2), preference must be given to infrastructure  
20 projects based on the following order of priority:

21 (a) projects that solve urgent and serious public health or safety problems or that enable local  
22 governments to meet state or federal health or safety standards;

23 (b) projects that reflect greater need for financial assistance than other projects;

24 (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough,  
25 long-term solutions to community public facility needs;

26 (d) projects that reflect substantial past efforts to ensure sound, effective, long-term planning and  
27 management of public facilities and that attempt to resolve the infrastructure problem with local resources;

28 (e) projects that enable local governments to obtain funds from sources other than the funds provided  
29 under this part;

30 (f) projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities

1 necessary for the expansion of a business that has a high potential for financial success, or that maintain the  
2 tax base or that encourage expansion of the tax base; and

3 (g) projects that are high local priorities and have strong community support.

4 (4) After the review required by subsection (2), the projects must be approved by the legislature.

5 (5) The department shall adopt rules necessary to implement the treasure state endowment program.

6 (Terminates June 30, 2005--sec. 10(2), Ch. 10, Sp. L. May 2000.)

7 **90-6-710. (Effective July 1, 2005) Priorities for projects -- procedure -- rulemaking.** (1) The  
8 department of commerce must receive proposals for infrastructure projects from local governments ~~as defined~~  
9 ~~in 90-6-701(3)(b)~~. The department shall work with a local government in preparing cost estimates for a project.  
10 In reviewing project proposals, the department may consult with other state agencies with expertise pertinent  
11 to the proposal. ~~The~~ For the projects under 90-6-703(1)(a), the department shall prepare and submit a list  
12 containing the recommended projects and the recommended form and amount of financial assistance for each  
13 project to the governor, prioritized pursuant to subsection (2). The governor shall review the projects  
14 recommended by the department and shall submit a list of recommended projects and the recommended  
15 financial assistance to the legislature.

16 (2) In preparing recommendations under subsection (1), preference must be given to infrastructure  
17 projects based on the following order of priority:

18 (a) projects that solve urgent and serious public health or safety problems or that enable local  
19 governments to meet state or federal health or safety standards;

20 (b) projects that reflect greater need for financial assistance than other projects;

21 (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough,  
22 long-term solutions to community public facility needs;

23 (d) projects that reflect substantial past efforts to ensure sound, effective, long-term planning and  
24 management of public facilities and that attempt to resolve the infrastructure problem with local resources;

25 (e) projects that enable local governments to obtain funds from sources other than the funds provided  
26 under this part;

27 (f) projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities  
28 necessary for the expansion of a business that has a high potential for financial success, or that maintain the  
29 tax base or that encourage expansion of the tax base; and

30 (g) projects that are high local priorities and have strong community support.

(3) After the review required by subsection (1), the projects must be approved by the legislature.

(4) The department shall adopt rules necessary to implement the treasure state endowment program.

(5) The department shall report to each regular session of the legislature the status of all projects that have not been completed in order for the legislature to review each project's status and determine whether the authorized grant should be withdrawn."

**SECTION 9. SECTION 90-6-715, MCA, IS AMENDED TO READ:**

**"90-6-715. (Temporary) Special revenue account -- use.** (1) (a) The treasure state endowment regional water system special revenue account may be used to:

(i) provide matching funds to plan and construct regional drinking water systems in Montana;

(ii) pay the debt service for regional water system bond issues; and

(iii) ~~to~~ provide funding of administrative expenses for state and local entities associated with regional drinking water systems.

(b) Except for the debt service administrative expenses provided for in ~~this~~ subsection (1)(a), each state dollar must be matched equally by local funds. Federal and state grants may not be used as a local match.

(2) Up to 25% of the local matching funds required under subsection (1) for the treasure state endowment regional water system may be in the form of debt that was incurred by local government entities included in the regional water system to construct individual drinking water systems before the individual systems were connected to the regional system. However, the amount of an individual entity's debt that may be used for matching funds is limited to the amount necessary to allow the entity to maintain its water service charges below the hardship standard established by the department through administrative rules adopted under 90-6-710.

(3) The funds in the account are further restricted to be used to finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments, such as projects in north central Montana, from the waters of the Tiber reservoir, that will provide water for domestic use, industrial use, and stockwater for communities and rural residences that lie south of the Canadian border, west of Havre, north of Dutton, and east of Cut Bank and in northeastern Montana, from the waters of the Missouri River, that will provide water for domestic use, industrial use, and stockwater for communities and rural residences that lie south of the Canadian border, west of the North Dakota border, north of the Missouri River, and east of range 39.

(4) The funds must be administered by the department of natural resources and conservation for eligible projects. (Terminates June 30, 2016--sec. 1, Ch. 70, L. 2001.)"

**NEW SECTION. Section 10. Appropriation from treasure state endowment regional water system special revenue account.** (1) There is appropriated to the department of natural resources and conservation the interest earnings of the treasure state endowment regional water system special revenue account to finance the state's share of regional water system projects authorized by this section and as set forth in 90-6-715.

(2) The dry prairie rural water authority and the north central Montana regional water authority are authorized to receive funds.

(3) Up to \$5,300,000 is ~~authorized~~ **APPROPRIATED** for the 2007 biennium to provide the state's share for regional water system projects.

(4) A regional water authority's receipt of funds is dependent on the authority's compliance with the conditions described in [section ~~44(1)~~ **12(1)**].

(5) This section constitutes a valid obligation of funds to the regional water authorities listed in subsection (2) for purposes of encumbering the treasure state endowment regional water system special revenue account funds received during the 2007 biennium under 17-7-302.

**NEW SECTION. Section 11. Approval of funds -- completion of appropriation.** (1) The legislature, pursuant to 90-6-715, authorizes funds for the regional water authorities identified in [section ~~9(2)~~ **10(2)**].

(2) The authorization of these funds completes an appropriation from the treasure state endowment regional water system special revenue account provided for in 17-5-703(4)(d).

**NEW SECTION. Section 12. Conditions -- manner of disbursement of funds.** (1) The disbursement of funds under [sections ~~9 10~~ through ~~44 12~~] is subject to completion of the following conditions:

(a) The regional water authority shall execute an agreement with the department of natural resources and conservation.

(b) The regional water authority must have a project management plan that is approved by the department.

(c) The regional water authority shall establish a financial accounting system that the department can reasonably ensure conforms to generally accepted accounting principles.

1 (d) The regional water authority shall provide the department with a detailed preliminary engineering  
2 report.

3 (2) The department shall disburse funds on a reimbursement basis as the regional water authority incurs  
4 eligible project expenses.

5  
6 COORDINATION SECTION. SECTION 13. COORDINATION INSTRUCTION. IF HOUSE BILL NO. 748 IS PASSED  
7 AND APPROVED, THEN [SECTIONS 9 10 THROUGH 12 OF THIS ACT] ARE VOID.

8  
9 NEW SECTION. Section 14. Notification to tribal governments. The secretary of state shall send  
10 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell  
11 band of Chippewa.

12  
13 NEW SECTION. Section 15. Effective date. [This act] is effective July 1, 2005.

14 - END -